

Creating Competitive Advantage

Chapter 18

Objectives

- Learn how to understand competitors as well as customers via competitor analysis.
- Learn the fundamentals of competitive marketing strategies based on creating value for customers.
- Realize the need for balancing customer and competitor organizations in order to become a truly market-centered organization.

Case Study

Intel

- Has dominated the chip industry
- Success is directly related to Intel's competitive strategy
- Strategy focuses on superior value and product leadership
- Heavy focus on product and advertising innovation and R&D investments
- Changing market needs have challenged Intel to adapt
- Intel is now capitalizing on the Internet

Definition

- **Competitive Advantage**
 - An advantage over competitors gained by offering consumers greater value than competitors offer.

Definition

- **Competitive Analysis**
 - The process of identifying key competitors; assessing their objectives, strategies, strengths and weaknesses, and reaction patterns; and selecting which competitors to attack or avoid.

Competitor Analysis

Steps in the Process:

- *Identifying Competitors*
 - *Assessing Competitors*
 - *Selecting Competitors to Attack or Avoid*
- Firms face a wide range of competition
 - Be careful to avoid “competitor myopia”
 - Methods of identifying competitors:
 - Industry point-of-view
 - Market point-of-view
 - ❖ *Competitor maps can help*

Competitor Analysis

Steps in the Process:

- *Identifying Competitors*
 - ***Assessing Competitors***
 - *Selecting Competitors to Attack or Avoid*
- **Determining competitors' objectives**
 - **Identifying competitors' strategies**
 - Strategic groups
 - **Assessing competitors' strengths and weaknesses**
 - Benchmarking
 - **Estimating competitors' reactions**

Competitor Analysis

Steps in the Process:

- *Identifying Competitors*
 - *Assessing Competitors*
 - *Selecting Competitors to Attack or Avoid*
- **Strong or weak competitors**
 - Customer value analysis
 - **Close or distant competitors**
 - Most companies compete against close competitors
 - **“Good” or “Bad” competitors**
 - The existence of competitors offers several strategic benefits

Competitor Analysis

- **Designing Competitive Intelligence Systems**
 - **A Well-Designed CI System:**
 - ❖ *Identifies types and sources of competitive information*
 - ❖ *Continuously collects information*
 - ❖ *Checks reliability and validity of information*
 - ❖ *Interprets and organizes information*
 - ❖ *Distributes information to decision makers and responds to queries*

Competitive Strategies

- **Approaches to Marketing Strategy**
 - No single strategy is best for all companies
 - Marketing strategy and practice often passes through three stages:
 - ❖ *Entrepreneurial marketing*
 - ❖ *Formulated marketing*
 - ❖ *Intreprenurial marketing*

Competitive Strategies

- **Basic Competitive Strategies: Porter**
 - Overall cost leadership
 - ❖ *Lowest production and distribution costs*
 - Differentiation
 - ❖ *Creating a highly differentiated product line and marketing program*
 - Focus
 - ❖ *Effort is focused on serving a few market segments*

Competitive Strategies

- **Basic Competitive Strategies: Value Disciplines**
 - Operational excellence
 - ❖ *Superior value via price and convenience*
 - Customer intimacy
 - ❖ *Superior value by means of building strong relationships with buyers and satisfying needs*
 - Product leadership
 - ❖ *Superior value via product innovation*

Competitive Strategy

Competitive Positions

- *Market Leader*
- *Market Challenger*
- *Market Follower*
- *Market Nicher*

- **Expanding the total demand**
 - Finding new users
 - Discovering and promoting new product uses
 - Encouraging greater product usage
- **Protecting market share**
 - Many considerations
 - Continuous innovation
- **Expanding market share**
 - Profitability rises with market share

Competitive Strategy

Competitive Positions

- *Market Leader*
- *Market Challenger*
- *Market Follower*
- *Market Nicher*

- **Option 1: challenge the market leader**
 - High-risk but high-gain
 - Sustainable competitive advantage over the leader is key to success
- **Option 2: challenge firms of the same size, smaller size or challenge regional or local firms**
- **Full frontal vs. indirect attacks**

Competitive Strategy

Competitive Positions

- *Market Leader*
- *Market Challenger*
- ***Market Follower***
- *Market Nicher*

- **Follow the market leader**
 - Focus is on improving profit instead of market share
 - Many advantages:
 - ❖ *Learn from the market leader's experience*
 - ❖ *Copy or improve on the leader's offerings*
 - ❖ *Strong profitability*

Competitive Strategy

Competitive Positions

- *Market Leader*
 - *Market Challenger*
 - *Market Follower*
 - *Market Nicher*
- **Serving market niches means targeting subsegments**
 - **Good strategy for small firms with limited resources**
 - **Offers high margins**
 - **Specialization is key**
 - **By market, customer, product, or marketing mix lines**

Balancing Customer and Competitor Orientations

- Companies can become so competitor centered that they lose their customer focus.
- Types of companies:
 - Competitor-centered companies
 - Customer-centered companies
 - Market-centered companies